

an incorporated subsidiary, Sonacor Mobilephone (Linx). The Company also proposes to offer this service directly to large end-users that meet the established criteria of the instant tariff.

It should be noted that relative to the connection of a cellular central switching point by telephone company land lines, the Department on October 30, 1984 issued a Decision in Docket 84-07-28, Southern New England Telephone Company Proposed Tariff To Provide Interconnect Service For Domestic Public Cellular Carriers. This decision addressed issues concerning the interconnection to the Company's public switched network by the cellular carrier.

The intervenors expressed concerns relative to Sonacor Mobilephone's provision of service and the possible subsidization of this entity by the Company's basic ratepayer. The Authority recognizes that while these may be valid concerns, the instant Docket is not the appropriate instrument to consider them. Currently there are a number of pending dockets that address these issues and will provide a forum for the intervenors' concerns. They are: Docket Nos. 84-12-18 and 85-01-02 which have been established to determine whether or not the Department should regulate resellers of cellular service; Docket No. 83-01-24, Southern New England Telephone Company Accounting Procedures for Regulated Activities; and Docket No. 83-12-15, DPUC Jurisdiction Over Southern New England Telephone Company Diversification into Unregulated Businesses. Pending the outcome of the aforementioned dockets, resellers are authorized to provide cellular service in the State of Connecticut effective the date of this decision.

B. Cost Studies

The LRIA cost studies performed for this case are similar to those performed by the Company for other services of a competitive nature. These studies utilize current costs, prospective costs, investments and market demand forecasts in order to determine changes in costs and revenues at alternate rate levels. The studies assume an 18% cost of equity component and reflect anticipated inflationary trends.

The Company proposed a minimum/maximum set of rates and charges for cellular service. The proposed minimum rate levels provide a positive net income beginning in the third year of operation and a positive contribution (revenues in excess of expenses including cost of money) beginning in the fourth year of operation. On a cumulative present worth basis, over the ten year study period, the proposed minimum rates would produce a net income of \$8.4 million and a contribution to the total revenue requirements of \$366,000.

The proposed effective rates are within the minimum/maximum range specified in the flexible tariff and are designed to optimize the contribution from the proposed service recognizing the effect of the competitive market place on a service of this type. The proposed effective rates are expected to provide: 1) a positive net income beginning in the third year of operation, 2) a positive contribution in the fourth year, and 3) on a cumulative present worth basis, a net income over ten years of \$9.4 million and a contribution to the total revenue requirements of \$3.0 million. The proposed effective rates would result in a cumulative DCF rate of return of 19.7%.

The Department believes that the studies performed are appropriate for a service of this type and that the results can be reasonably relied upon for rate setting purposes.

C. Tariffs

The Company's proposed tariffs, rates and charges are reasonable and should be accepted with the following exceptions:

1. Rates and Charges

Throughout the tariff the Company has proposed a minimum/maximum set of rates and charges for basic cellular service usage, optional features and nonrecurring charges. It stated it would not charge any rate or charge less than the minimum nor greater than the maximum and would notify subscribers and the Department prior to the effective date of any change in rates or charges. The Company believes that this type of a "flexible" schedule would allow it to react competitively in the marketplace and to market demand.

In the initial tariff offering, the Company proposed a 15 day advanced notification period, stating that it would simultaneously notify, both its subscribers and the Department of pending rate changes. The intervenors objected stating that the 15 day advance notice was an insufficient period of time to allow them to notify their end-users of impending rate changes. They also objected to the proposed minimum/maximum rate schedule stating they believed it would give the Company's incorporated subsidiary Sonacor Mobilephone an added advantage. They argued that the Company could discriminate among its subscribers by charging different rates to different subscribers. In response to the resellers' and intervenors' concerns, the Company on December 5, 1984 submitted revised tariff pages with additional language that clarified the Company's position that it would not discriminate among its different subscribers. In the revision, the Company also increased the advance notice time period to its subscribers and the Department from 15 to 30 days.

The Authority agrees that both the Company and the subscribers need the ability to react quickly to competition and to consumer demand. We are also aware that given the uncertainties surrounding the development of cellular services, it would be difficult to predict the long term growth prospects for this market after the initial constructions of both the wireline and non-wireline systems are completed. However, it is the opinion of the Authority that this service has a potential positive factor for both the bulk cellular providers and the resellers. As such, we see no reason not to allow the Company at this time the flexibility it needs to adjust to not only the marketplace but to the demand or lack thereof. Therefore, in lieu of the above, the Authority finds the proposed minimum/maximum rate schedules and revised tariff language to be fair, reasonable, not unduly discriminatory and consistent with Department requirements.

2. Late Payment Charge

The Company has proposed to assess a late payment charge on those balances remaining unpaid after 30 days from the date the bill has been rendered. Although the proposed tariffs do not include the rate at which this charge will be applied, the Company witness stated that it would be 1 1/4%.

The Authority agrees that cellular service is an appropriate service offering on which a late payment charge may be applied. The 1 1/4% late payment charges is consistent with those charges currently levied by other Connecticut utilities. Based on the aforementioned, we approve the late payment charge of 1 1/4% and direct the Company to include this rate within its tariffs.

3. Roamers

The Company defined a roamer as an end-user who obtains cellular service from a system operated by a person, corporation, or entity other than the Company. The proposed tariffs state that "should the Telephone Company execute contracts with other cellular system operators in order to allow roamers to use the Telephone Company's cellular system, the Telephone Company will file such contracts with the Department of Public Utility Control." The Authority believes that this language does not allow roamers, whose cellular operator does not have a contract with the Company who drive or carry their cellular phone into the state, to use the cellular system here. We acknowledge that this will only account for a small amount of traffic in the beginning. However, roamers will grow in numbers and easy roaming will have an impact on marketing for all cellular providers. Therefore, the Authority directs the Company to include in its tariffs its policy regarding the request of a roamer whose cellular provider does not have a contract with the Company to use cellular service.

V. FINDINGS OF FACT

1. There is a public need for cellular service.
2. Cellular service would meet the needs of and provide benefit to Connecticut businesses and consumers.
3. The Department believes that the LRIA studies performed are appropriate for a service of this type and that the results can be reasonably relied upon for rate setting purposes.
4. The proposed rate schedules and revised tariff language are found to be fair, reasonable, not unduly discriminatory and consistent with Department requirements.
5. A minimum/maximum rate schedule will allow the Company to react competitively in the marketplace and to consumer demand.
6. The Company's 30 day advanced notification of its change in rates to

7. The Company's proposal to apply a 1 1/4% Late Payment Charge on those balances remaining unpaid after 30 days from the date the bill has been rendered is appropriate.

8. The Company's definition of a roamer does not allow those end-users, whose cellular operator does not have a contract with the Company, and who drive or carry their cellular phone into the state, to use the cellular system in Connecticut, and therefore the Company should amend its tariffs to reflect such.

9. Pending the outcome of the dockets cited in Section IV. A., resellers are authorized to provide cellular service in the State of Connecticut effective the date of this decision.

VI. CONCLUSION AND ORDER

1. Based on the foregoing, with amendments detailed Section IV., supra, the Authority hereby approves the proposed filing.

2. The effective date of the proposed tariff shall be the date of this decision and the Company is hereby directed to re-file the approved tariff pages, indicating said effective date, within 15 days of the date of this decision.

We hereby direct that notice of the foregoing be given by the Executive Secretary of this Department by forwarding true and correct copies of this document to parties in interest, and due return make.

Dated at New Britain, Connecticut, this 16th day of January, 1985

Marvin S. Loewith)

Edythe J. Gaines) DEPARTMENT OF PUBLIC UTILITY CONTROL

Peter G. Boucher)

State of Connecticut)

)

ss.

New Britain, January 16, 1985

County of Hartford)

I hereby certify that the foregoing is a true and correct copy of Decision, issued by the Department of Public Utility Control, State of Connecticut.

CERTIFICATE OF SERVICE

I further certify that where a date is inserted by the Department in the "Date Mailed" box below, a copy of the Decision was forwarded by Certified mail to all parties of record in this proceeding on the date indicated.

Date Mailed:

/ /
/ JAN 17 1985 /
/ /

Attest:

Robert J. Murphy
Executive Secretary
Department of Public Utility Control

BY: *Robert J. Murphy*
ASSISTANT



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC UTILITY CONTROL

DOCKET NO. 86-03-12

APPLICATION OF SOUTHERN
NEW ENGLAND TELEPHONE COMPANY
FOR APPROVAL OF PROPOSED
TARIFF CONCERNING AN ATTEMPT
CHARGE FOR INCOMPLETE CALLS

DECISION

MAY 20, 1986

DECISION

I. INTRODUCTION

A. Background and Company Proposal

On March 21, 1986, the Southern New England Telephone Company ("Company") filed a proposed tariff with the Department of Public Utility Control ("Department"), pursuant to Title 16, as amended by the following Regulations of Connecticut State Agencies ("Regulations"), as of yet not codified but entitled as follows: The Conditions, Standards and Procedures for Regulating Cellular Mobile Telephone Service, Section 1-5. The proposed tariff would introduce an attempt charge for incomplete calls of less than one minute of usage of the Sonacor Cellular Network. The proposed effective date of the tariff is April 1, 1986.

B. Conduct of the Proceeding

Pursuant to a notice of hearing dated April 7, 1986, The Department suspended the proposed effective date and conducted a public hearing on this matter on April 30, 1986 pursuant to Title 16, as amended by the Regulation cited above.

C. Parties and Intervenors

The Company was recognized as a party in this proceeding. The Division of Consumer Counsel was also designated as a party.

II. APPLICANT'S EVIDENCE

A. General

The Southern New England Telephone Company, a corporation under the Statutes of the State of Connecticut, has its principal offices at 227 Church Street, New Haven, Connecticut. Through its Sonacor Cellular Division, the Company provides Bulk Domestic Public Cellular Radio Telecommunication Service, by tariff, in Hartford, Middlesex, New Haven and Fairfield counties.

B. Provisions of the Filing

According to the Company's application, the subject filing provides for SONECOR Cellular, a Division of Southern New England Telephone, to introduce an Attempt Charge under its Bulk Cellular Service. This new rate element would be for incomplete mobile originated calls, such as ring busy or no-answer, that were less than one minute in duration per call. Currently, the Bulk Cellular tariff applies the associated usage rate for completed calls to this type of traffic, thereby not distinguishing between complete and incomplete calls. The Company proposed a flexible tariff plan with a minimum rate of \$.08 and a maximum rate of \$.21 per attempt. The Company proposes to charge an effective rate of \$.10 per attempt, subject to change (within the the proposed minimum-maximum schedule) after appropriate notice to the Department.

The Company testified that many bulk subscribers and their end-users have expressed dissatisfaction that the existing Bulk Cellular tariff does not differentiate between complete and incomplete calls. These subscribers have indicated to the Company that their end-users do not receive the same value from an incomplete call as one which is completed. Although bulk customers recognize that costs are incurred as a result of call attempts, they believe

that the price for incomplete calls should be less than for completed calls. Therefore, the Company states that in order to recognize the concerns of bulk customers, it has proposed a new rate element for call attempts.

III. POSITION OF PARTIES

The Division of Consumer Counsel was a party to the proceeding and conducted cross-examination of the Company witness. DCC did not file testimony on briefs, nor did it issue a statement summarizing its position.

IV. AUTHORITY ANALYSIS

The Company testified that in response to the concern of its bulk customers, it proposed an Attempt Charge for incomplete mobile originated calls where usage of the network is less than one minute per call. During cross-examination, the Company indicated that even if it received approval from the Department to reduce the rate for an incomplete call, there was no guarantee that bulk subscribers would pass the savings on to their customers. According to the Company, however, it was clear that the bulk subscribers would not reduce the rate for an incomplete call unless the cost was reduced to them.

A flexible pricing plan was proposed for the Attempt Charge with a minimum-maximum rate schedule of \$.08 to \$.21 and an effective rate of \$.10. The Company's usage studies indicate that incomplete calls presently make up about 10% of the subscriber's usage and generally are about 30 seconds or less in duration. The proposed flexible rates for the Attempt Charge were based on 50% of the weighted usage rates for peak and off-peak. The Company submitted an exhibit which indicates that the cost associated with each call attempt, which generally represents less than 30 seconds of network usage, is \$.065. The proposed rate schedule exceeds this identified cost by \$.015 at the minimum rate and as much as \$.145 at the maximum rate thereby assuring that any effective rate will exceed the associated cost and provide a positive contribution to the business.

The Company contended that the proposed Attempt Charge would stimulate usage of the cellular network and that there would be no negative impact on the net revenues of bulk cellular service. It concluded that the elimination of the business practice of charging customers for something which is perceived not to be valuable would result in at least a 3% net revenue stimulation. Such a stimulation would be sufficient to negate any adverse negative net revenue impact. In the case where there was no stimulation of network usage, the negative annual net revenue impact would range from about \$300,000 in the first year to about \$800,000 in the tenth year of the cost study.

The Authority acknowledges that cellular service is in its infancy and, therefore, there is a variant trend of adjusting revenue due to this factor. Even though it is an immature business, its revenues are continuing to increase and we fully expect it to be an integral part of the Company's business in the future. Further, we are aware that there is no assurance that the retailer will pass this savings on to the end-user. However, based on the record we believe a more fair and equitable treatment of its end-users would be achieved as a result of this reduction. Therefore, the Authority believes that the above pricing policy is consistent with Department requirements and the rate is fair, reasonable, and not unduly discriminatory.

Further, we believe it is important to monitor the revenue impact of this reduced rate so that the consequences will be minimal. During the hearing, Company witnesses stated that if there was an adverse revenue impact with the proposed \$.10 effective rate, the rate would be adjusted accordingly. The Company has offered to monitor on a monthly basis its actual experience concerning the percentage of call attempts. It would then prepare on a biannual basis a report which could be submitted to the Department in January and July of 1987. The Authority believes that this information would be extremely helpful in monitoring the revenue impact of the Attempt Charge and, therefore, directs the Company to submit these reports on those dates.

V. FINDINGS OF FACT

1. Cellular service revenues are continuing to increase and the service is expected to be an integral part of the Company's business in the future.
2. Based on the record, a more fair and equitable treatment of the service's end-users would be achieved as a result of this rate reduction.
3. The proposed pricing policy is consistent with Department requirements and the rate is fair, reasonable and not unduly discriminatory.
4. The revenue impact of the effective rate should be monitored so that the rate could be adjusted and any adverse impact minimized.

VI. CONCLUSION AND ORDER

1. The proposed tariff filing for an Attempt Charge is hereby approved and the effective date shall be the date of this decision. The Company is hereby directed to refile the approved tariff pages, indicating said affection date, within 15 days of the date of this decision.
2. The Company shall monitor on a monthly basis its actual experience concerning the percentage of call attempts and then prepare on a biannual basis a report which shall be submitted to the Department in January and July of 1987.

We hereby direct that notice of the foregoing be given by the Executive Secretary of this Department by forwarding true and correct copies of this document to parties in interest, and due return make.

Dated at New Britain, Connecticut, this 20th day of May, 1986.

Marvin S. Loewith)

David J. Harrigan) DEPARTMENT OF PUBLIC UTILITY CONTROL

Edythe J. Gaines)

State of Connecticut)

) ss. New Britain, May 20, 1986

County of Hartford)

I hereby certify that the foregoing is a true and correct copy of Decision, issued by the Department of Public Utility Control, State of Connecticut.

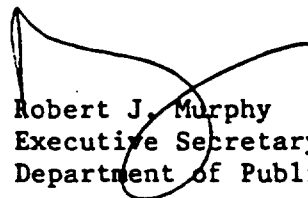
CERTIFICATE OF SERVICE

I further certify that where a date is inserted by the Department in the "Date Mailed" box below, a copy of the Decision was forwarded by Certified mail to all parties of record in this proceeding on the date indicated.

Date Mailed:

/ MAY 23 1986 /

Attest:


Robert J. Murphy
Executive Secretary
Department of Public Utility Control



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC UTILITY CONTROL

DOCKET NO. 86-09-04

APPLICATION OF
METRO MOBILE CTS, INC.
FOR APPROVAL OF
WHOLESALE CELLULAR MOBILE
TELEPHONE SERVICE TARIFF

DECISION

JUNE 2, 1987

Decision

DECISION

I. INTRODUCTION

A. Company's Proposal

On September 5, 1986, Metro Mobile CTS Inc. ("Company"), on behalf of its subsidiaries, Metro Mobile CTS of Hartford, Inc., Metro Mobile CTS of New Haven, Inc. and Metro Mobile CTS of Fairfield County, Inc. filed with the Department of Public Utility Control ("Department") pursuant to §7 of Public Act 85-552, §§3 and 4 of the Regulations of Connecticut State Agencies ("Conn. Agencies Regs.") and §§16-1-1 et seq., and 16-1-45 et seq., its initial application seeking approval of tariffs for the provision of wholesale cellular mobile telephone service in the Hartford, New Haven and Bridgeport New England County Metropolitan Areas ("NECMAs").

B. Conduct of the Proceedings

In accordance with §16-2(c) of the General Statutes of Connecticut ("Conn. Gen. Stat."), this matter was assigned to a panel of three of the Department's five Commissioners who constitute the Public Utilities Control Authority ("Authority").

Pursuant to a Notice of Hearing dated September 26, 1986, the Department scheduled a public hearing on this matter in the offices of the Department, in New Britain, Connecticut, on October 31, 1986. The hearing was continued on April 20, 1987, and May 4, 1987.

C. Parties and Other Participants

The Department recognized the Company, and the Division of Consumer Counsel ("DCC") as parties to this proceeding. SNET Cellular, Inc. ("SNET Cellular") and New York SMSA Limited Partnership and NYNEX Mobile Communications Retail Co., were recognized as intervenors in this proceeding.

D. Written Stipulation

By written stipulation, the parties waived compliance with §4-179 of the Conn. Gen. Stat.

II. APPLICANT'S EVIDENCE

A. General

The Company is a Delaware corporation and is controlled by Metro Mobile CTS, a limited partnership. Metro Mobile CTS of Hartford, Inc., Metro Mobile CTS of New Haven, Inc. and Metro Mobile CTS of Fairfield County, Inc., are all wholly-owned subsidiaries of the Company, and are the non-wireline carriers authorized by the Federal Communications Commission ("FCC") to provide cellular service in the Hartford, New Haven and Bridgeport NECMAs.

B. Provisions of the Filings

The Company's application requests authorization to offer wholesale cellular service to subscribers who, in turn, will market and retail this service to their end-users. The Company will also offer wholesale cellular service directly to large end-users who meet the criteria of the tariff. In addition, the Company plans to market cellular service as a retailer through a division of the Company. That division would obtain wholesale cellular service as a subscriber under this tariff on the same basis as any other retailer.

III. POSITION OF PARTIES AND INTERVENORS

A. Position of the Division of Consumer Counsel ("DCC")

The DCC participated in this matter by the cross-examination of witnesses and the filing of a brief. It is the position of the DCC that:

1. The DCC opposes those portions of the Company's proposed tariff regarding a six month minimum service charge and automatic renewal of a contract for the following reasons:
 - a. The six month minimum contract period is unnecessary and results in the imposition of an excessive, quasi-punitive charge for cancellation.
 - b. The automatic renewal provision is unfair because subscribers will be liable for charges, even if they have not affirmatively assented to continue to receive service, and even if they do not receive service.

B. Position of the Company

The Company submitted a brief and reply brief in this proceeding. It is the position of the Company that:

1. A six month minimum service period is characteristic of the wholesale cellular industry and such provisions have been specifically approved by the FCC.
2. The automatic renewal provision ensures that the subscriber's relationship with the Company will continue until the subscriber wishes it to end. Further, the provision allows uninterrupted service to the subscriber's end-users without needless monthly administrative action on the part of the subscriber.
3. SNET Cellular has provided cellular mobile telephone service on a monopoly basis since approval of its tariffs in Docket No. 84-08-16.
4. Under the equal regulation mandate and the Department's regulations, the Department may not impose a greater burden of proof on the Company than was imposed on SNET Cellular. The

Company should face a lesser burden because the proposed offering is a competitive service, and not the monopoly service that is presently provided by SNET Cellular.

C. Position of SNET Cellular

SNET Cellular submitted a reply brief in this proceeding. It is the position of SNET Cellular that:

1. SNET Cellular did not file its tariff in Docket 84-08-16 on a monopoly basis but rather its tariff included various elements usually only found in a competitive environment. In addition, the record of that proceeding shows that the cellular market structure under the FCC's decisions was to be a competitive market.
2. Connecticut Public Act 85-552, §§7 and 8 requires the Department to regulate cellular carriers on an equal basis and thus, the degree of regulation should be equal and each party must bear their own burden of proof.

IV. AUTHORITY ANALYSIS

A. Cost Studies

At the request of the Authority, the Company filed what it termed a "Long Run Revenue/Expense/Investment Analysis", which it used in its financial study of bulk cellular service (Late-Filed Exhibit No. 1, Exhibit CPW-3, Attachment 1). According to the pre-filed testimony of one of the Company's expert witnesses, this cost study methodology appeared consistent with Southern New England Telephone Company's Long Run Incremental Analysis (LIRA) study used for its bulk cellular service tariff filing (See Application, Testimony of Christopher P. Witze, pg. 3). This cost study methodology, not unlike SNET's, utilizes current costs, prospective costs, investments and market forecasts, in order to determine charges and revenues at alternate rate proposals.

Attachments 1 and 2 to this Late-Filed Exhibit are cost-study runs using the Company's proposed minimum and effective rates, respectively. While the minimum rate level showed its first positive net income of approximately \$2.1 million beginning in year four of operation, the proposed effective rate level would generate its first positive net income of approximately \$1.96 million in year three of operation.

In consideration of the above, the Authority believes that the Company's study methodology is both reasonable and appropriate for this type of service.

B. Tariffs

In its initial application, the Company filed proposed wholesale tariffs for Cellular Mobile Telephone Service in the Hartford, New Haven, and Bridgeport New England County Metropolitan Areas. These tariffs contained the definitions, rules, regulations, and rates for wholesale cellular service.

During the hearing process, the Department investigated various concerns it had relative to the proposed tariffs. As a result of that investigation, the Department's staff requested that the Company make numerous changes to its tariffs. The Company complied and resubmitted its tariffs with these changes. With the inclusion of these revisions, the Authority finds the Company's proposed tariffs, rates and charges to be reasonable and acceptable with the following exceptions.

1. Rates and Charges

The prices proposed by the Company reflect a flexible or minimum/maximum schedule of rates and charges. It includes such items as service establishment charges, access and usage rates, and a charge for service order activity. With a flexible rate schedule, the Company would not charge less than the minimum nor more than the maximum rate. The Company proposed effective rates and charges which were within the proposed minimum/maximum schedules and subject to change after appropriate notice to the Department. The Company testified that it would notify the Department and its subscribers not less than 30 days prior to the effective date of any change in rates and charges.

In conjunction with the above, the Company proposed flexible rate ranges with a minimum monthly rate of zero (\$0) for access numbers, optional services, and set-up charges for nonaffiliated roamers. According to the Company, the purpose of proposing a \$0 minimum rate for these service components was to allow it maximum flexibility for a competitive response to an adjustment in rates, terms, or conditions by its competitor, SNET cellular. The Company testified that its rates and charges were not designed to recover costs on an element by element basis. While the Company provided cost information on a total company basis, it contended it could not provide cost data on an element by element basis. It indicated that this was because it had not performed such an analysis and it would be too costly to produce. Its proposed minimum rates were developed so that total revenues would recover total costs over the long term. By implementing various rate combinations for different service offerings, it would recover its total costs. For example, a zero minimum access charge would result in a higher usage rate. The Company stated that its usage rates would be the principal means of recovering its costs and that its cash flow would be generated from this service element. While the Company would not rule out the possibility of offering a very low access/high usage charge package in the future, it did not expect to set its monthly access rate at the minimum on a regular basis. The Company indicated that this pricing procedure was consistent with other cellular companies.

Relative to the Company's proposed \$0 minimum prices, the Authority has in the past approved individual rates and charges which did not cover their direct economic costs. In those cases we determined that when a combination of rates and charges was implemented, the resulting revenues would exceed the service's overall economic costs. In determining whether proposed rates cover their direct costs, the Authority believes that a cost of service analysis for ratemaking purposes should, to the extent possible, examine service components on an element by element basis. Although we find that this is not the case in the instant proceeding, the Authority accepts the Company's revenue and cost analysis and its testimony relative to the above. As the burden of proof is

on the Company, we have relied on its evidence which indicates that the proposed rates and charges will generate revenues which will exceed or equal costs over the long term.

The Authority agrees that given the lack of historic data on market response to cellular service, wholesale cellular providers and their subscribers should be allowed flexibility to react quickly to changes in the marketplace. We believe that this flexibility should encompass the bulk cellular carrier's ability to modify its rates and charges, within approved limits, with advance notification. We note that the concept of flexible rates and charges is not new to this Authority. This type of pricing schedule has been approved in both the competitive and noncompetitive Connecticut telecommunications environment. The Authority approved a similar schedule in Docket No. 84-08-16, Southern New England Telephone Company Tariff Filing to Provide Bulk Domestic Public Cellular Radio Telecommunications Service. Therefore, based on the above, the Authority finds the Company's proposed minimum/maximum rate schedules and revised tariff language to be fair, reasonable, not unduly discriminatory and consistent with Department requirements.

2. Enhanced 911 Service (E911)

In its initial application, the Company did not make a provision for the waiving of any charges associated with E911 calls. When questioned during the hearing as to whether a caller would incur a charge for these calls, the Company testified that it would not charge a subscriber for this type of usage. At the Department's request, the Company included this provision in its revised tariffs. It is the opinion of the Authority that wholesale cellular carriers should provide calls to E911 free of charge. Therefore, the Authority finds the Company's revised tariff acceptable as filed.

3. Security Deposits

In addition to the textual changes relative to Security Deposits requested by staff, the DCC requested further revisions. These changes would include criteria that the Company would utilize in determining whether a deposit would be charged and the conditions under which it would be refunded. The Company complied with this request and revised its tariffs. It included additional language clarifying the terms and conditions under which a deposit would be required and when it would be refunded. Based on the Company's submittal, the Authority finds the proposed text to be acceptable and directs the Company to incorporate it into the main body of its tariffs.

4. Minimum Contract Period

The Company's proposed tariffs require that customers subscribe to service for a minimum period of six months. A subscriber taking service for less than this period would be billed for items such as access and minimum usage charges for the remainder of the contract period. Following the completion of the service period, the contract period would be automatically renewed for successive thirty day periods. Cancellation of service by the subscriber during these periods requires the customer to notify the Company in writing, thirty days prior to the actual date of cancellation. According to

the Company's revised tariffs, if the actual date of cancellation does not coincide with the date of expiration of a thirty day contract period, the subscriber's bill will be reduced on a pro rata basis. It should be noted that for any additional blocks of telephone numbers, a new initial contract period would begin.

The Company states that its proposal is typical of the industry and is necessary to ensure business stability. In addition, from a cost standpoint, such a contract is necessary due to the costs the Company will incur in providing service to new subscribers. According to the Company, it has proposed a six month minimum contract period in the interest of sound business and financial practices and the ability to provide high quality service to its subscribers.

The DCC opposes the six month minimum contract period, stating that it is inherently unfair. In addition, it disagrees with the Company concerning its positions relative to the so called business stability and cost standpoints that result from the service contracts. In its brief, the DCC states that this portion of the Company's tariffs requires payment for service regardless of whether the subscriber decides not to accept it for the contracted period of time. In lieu of the initial contract, the DCC suggests that the Department should either require that the minimum contract period be substantially reduced, or that a pro rata refund be made if a subscriber cancels service prior to the end of the six month contract period. The DCC also finds the automatic renewal and cancellation of service provisions to be unfair. Instead, the DCC proposes that cancellation be allowed up to one week prior to the expiration of the contract, and that subscribers should receive pro rata refunds for service cancelled during a contract period. Lastly the DCC proposes, that if SNET Cellular's tariff has similar provisions to those noted above, the Department should take appropriate action to amend them.

The Authority finds the required six month initial contract and subsequent thirty day contract periods to be appropriate at the wholesale cellular service level for both of Connecticut's cellular carriers. In our opinion, these customers (most likely resellers and large end users) will be subscribing to service for periods of time which will more than exceed the Company's required six month contract period. In addition, we believe that these customers will be more than cognizant of the customer notification obligations that they would be required to satisfy should they decide to terminate service. As a result, we do not accept the DCC's suggestion to reduce the initial contract period or require the Company to offer pro rata refunds for customers not fulfilling their obligations to the Company. In addition, we expect that the provision of service under such contracts would minimize customer turnover while providing the Company with a level of revenues it requires to recover costs and earn a profit. Relative to the DCC's position that cancellation of service be allowed up to one week prior to the expiration of the contract, we believe that it would be unworkable and burdensome to the Company. Therefore, based on the above, we find the Company's tariffs on these matters to be acceptable.

B. Revenues

In support of its initial proposal, the Company submitted a financial

summary for wholesale cellular service. It included estimated annual revenues for year one and year ten at both the proposed minimum rates and effective rates. This analysis utilized the level of net income as a measure of the Company's profitability. According to the Company's exhibit, net income will not become positive until the third year of its operations. During the hearing process, the Company's revised its revenue analysis and estimates for the total annual revenues for its first and tenth year. At proposed minimum rates the Company expects to generate \$3,024,000 during its first year and \$31,496,000 in its tenth year; and at proposed effective rates, \$3,475,000 and \$35,556,000, respectively.

The Authority acknowledges that the Company has incurred initial start-up costs in its Connecticut operations. We also note the competitive disadvantage the Company has experienced by its late entry into a market which is currently served by its competitor. Nevertheless, it is the position of the Authority that the Company has sustained its burden of proof. However, given that there are only two providers of cellular service and the Authority's mandate to regulate both on an equal basis, we will accept the Company's revenue analysis for this service. The Company should be aware that after it is operational and has historical data, it will be expected to comply fully with all future requests for information relative to approval of cellular service filings.

V. FINDINGS OF FACT

1. The cost studies performed by the Company are both reasonable and appropriate for both this Company and the service it is proposing to offer.
2. A minimum/maximum rate schedule will allow the Company flexibility in the marketplace to better serve consumer demand.
3. The Company's proposed minimum/maximum rate schedules and revised tariff language are found to be fair, reasonable, not unduly discriminatory and consistent with Department requirements.
4. Given the lack of historic data on market analysis to cellular service, wholesale cellular providers and their subscribers should be allowed flexibility to react quickly to changes in the marketplace.
5. As the burden of proof is on the Company, we have relied on its evidence which indicates that the proposed rates and charges will generate revenues which will exceed or equal costs over the long term.
6. The Company shall notify the Department and its subscribers not less than 30 days prior to the effective date of any change in rates and charges.
7. Wholesale cellular carriers shall provide calls to E911 free of charge.

8. The Company's tariffs shall include language clarifying the terms and conditions under which a deposit would be required and when it would be refunded.
9. The required six month initial contract and subsequent thirty day contract period is appropriate at the wholesale cellular service level.
10. The Company has sustained its burden of proof. However, given that there are only two providers of cellular service and the Authority's mandate to regulate cellular carriers on an equal basis, we will accept the Company's revenue analysis for this service.
11. The Company should be aware that after it is operational and has historical data to rely on, it will be expected to fully comply with all future requests for information relative to approval of cellular service filings.

VI. CONCLUSION AND ORDER

1. Based on the foregoing, with amendments detailed in Section IV., supra, the Authority hereby approves the proposed filing which will allow the Company to provide wholesale cellular mobile telephone service in all of the areas in Connecticut authorized by the FCC. The effective date of the proposed tariff shall be the date of this Decision and the Company is hereby directed to re-file the approved tariff pages, indicating said effective date, within 15 days of the issuance date of this Decision.

We hereby direct that notice of the foregoing be given by the Executive Secretary of this Department by forwarding true and correct copies of this document to parties in interest, and due return make.

Dated at New Britain, Connecticut, this 2nd day of June, 1987.

David J. Harrigan }

Otto C. Neumann }

DEPARTMENT OF PUBLIC UTILITY CONTROL

Edythe J. Gaines }

State of Connecticut }

ss.

New Britain, June 2, 1987

County of Hartford }

I hereby certify that the foregoing is a true and correct copy of Decision, issued by the Department of Public Utility Control, State of Connecticut.

CERTIFICATE OF SERVICE

I further certify that where a date is inserted by the Department in the "Date Mailed" box below, a copy of the Decision was forwarded by Certified mail to all parties of record in this proceeding on the date indicated.

Date Mailed:

JUN 9 1987

Attest:

Robert J. Murphy
Executive Secretary
Department of Public Utility Control



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC UTILITY CONTROL

DOCKET NO. 87-10-23

SNET CELLULAR, INC.'S PROPOSED REVISION
TO ITS TARIFFS

DECISION

MARCH 30, 1988

DECISION

I. INTRODUCTION

A. Company's Proposal

On October 28, 1987, SNET Cellular, Inc. ("SCI" or "the Company") filed with the Department of Public Utility Control ("Department") an application to revise its tariff to provide wholesale cellular mobile telephone service pursuant to Section 16-11 and Section 16-250(b) of the Connecticut General Statutes ("CGS"). The revisions to SCI's tariff had a proposed effective date of December 31, 1987.

B. Conduct of the Proceedings

Pursuant to Section 16-250(b) and Section 16-250(b)(4)(B) of the Regulations of Connecticut State Agencies, the effective date was suspended and a public hearing was conducted to consider this matter fully. In accordance with CGS Section 16-2(c), this matter was assigned to a panel of three of the Department's five Commissioners who constitute the Public Utilities Control Authority ("Authority").

The Department scheduled the public hearing on this matter in the offices of the Department, in New Britain, Connecticut, on December 29, 1987, pursuant to a notice of public hearing dated November 23, 1987. The hearing was continued to January 4, 1988 and January 14, 1988. The hearing was closed February 29, 1988.

C. Parties and Other Participants

In addition to SNET Cellular, Inc., the Department admitted Southern New England Telephone Co. ("SNET") and the Division of Consumer Counsel ("DCC") as parties, and Metro Mobile CTS, Inc. ("Metro Mobile") and Cellular Service Bureau, Inc. ("CSB") as intervenors. Two letters from other cellular service resellers were received.

II. APPLICANT'S EVIDENCE

A. General

SNET Cellular, Inc. is located at 555 Long Wharf Drive, New Haven, Connecticut and provides bulk mobile cellular telephone services at wholesale tariffed rates for resale by other companies to end-users. SNET Cellular, Inc. is a wholly-owned subsidiary of Southern New England Telecommunications Corp. (the holding company), which is located at 227 Church Street, New Haven, Connecticut. SNET Cellular, Inc. was originally established as an operating division SONECOR CELLULAR, of SNET and was established as an operating subsidiary of the holding Company on July 1, 1986. SCI provided Mark W. Bluemling, SCI Vice-President-Finance and Jerome P. Brennan, SCI Staff Manager-Finance as witnesses for the Company.